

AYLMER



1971

ANNUAL
REPORT

CANADIAN CANNERS LIMITED

<u>CONTENTS</u>	<u>PAGE</u>
Financial Highlights	1
Report of the Directors	2
Financial Statements	3-7
Auditors' Report	7
Ten-Year Summary	8
Directors and Officers	9

CANADIAN CANNERS LIMITED AND SUBSIDIARY COMPANIES

Financial Highlights

	1971	1970
Sales	\$58,582,000	\$54,663,000
Earnings from operations	809,000	692,000
Per dollar of sales	1.4¢	1.3¢
Per Class A and B common share .....	.58	.49
Extraordinary Gain	-	1,011,000
Net earnings	809,000	1,703,000
Per Class A and B common share .....	.58	1.21
Dividends paid per Class A share .....	.40	.40
Retained earnings	23,517,000	22,895,000
Working capital	16,907,000	17,429,000
Working capital ratio	2.2	2.5
Shareholders' equity	29,814,000	29,192,000

To Our Shareholders and Employees

The continuing growth of our processed food operations and the inclusion of revenues from two newly acquired subsidiaries combined to increase the sales of Canadian Canners Limited for the year by 7.1 per cent. Although earnings from operations of \$809,000 this year is an increase from 49 cents a share to 58 cents a share — this performance did not meet our overall profit objectives.

It is important to recognize the economic conditions under which these increases in sales and earnings were achieved. In previous reports we have described the effect of overproduction and continuing inflation on the Canadian canned food industry. The net effect of these two factors has been to keep wholesale prices depressed during a period of increasing costs. Another economic factor has been the steady growth of grocery "discounting" throughout Canada, and particularly in Ontario. Discount grocers typically feature selective "specials" on brand merchandise and "every day low prices" on their own private brands. These distributors continue to feature DEL MONTE and AYLMER brands, but with fewer storewide promotions. The limiting of brand promotions and highlighting of price competition have necessitated changes in our overall marketing strategy in order to maintain our share of market. The results of the last quarter, particularly with respect to case volume, indicate that the change in our strategy has been effective.

During the year Canadian Canners acquired all of the outstanding shares of St. Williams Preservers Limited, a Simcoe, Ontario-based processor of jams and preserves, and Duncan Lithographing Company Limited, a Hamilton, Ontario-based producer of labels and folding packages. Sales and earnings of these two companies since the dates of their acquisition have been included in the results for the fiscal year.

We are continuing to seek opportunities to diversify, not only with-

in the food industry, but in related businesses. At the same time we are increasing efforts to develop and market attractive, appetizing convenience foods. The introduction this spring of the new DEL MONTE Pudding Cup marked our first entry in the single-serving market — an away-from-home market for snack foods with exceptional growth potential. Consumer acceptance during the introductory period has been excellent.

New product and process development has been stimulated by the opening in 1970 of our Scientific Research Centre. The Centre is co-operating with provincial and federal regulatory bodies in the implementation of environmental control programs relating to our processing operations and in developing new methods of reducing cannery effluents by the "soil bio-foliation" process.

The Company achieved progress this year in its efforts to hold down the escalation of production and distribution costs. We adapted a bulk handling system for fresh tomatoes that substantially reduces labour costs and increases plant efficiency. We also introduced a system for handling and storing canned products which promises to effect considerable cost savings.

The phase-out of products containing cyclamates was completed on September 1, 1970. In addition to the extraordinary before-tax loss of \$1,020,000 described in our last annual report, the Company sustained a loss of an additional \$100,000 resulting from redemptions of retail shelf stock outstanding at the September 1 expiration date for sale of such products. During the year we developed and introduced new formula DIET DELUXE products. Good consumer acceptance has substantiated the continuing market for special diet products for diabetic and low calorie consumers.

In fiscal 1971 the Company declared four dividends on Class A common shares at a rate of 10¢ per share per quarter; an annual rate of 40¢ per share. Since the date of issue, October 1, 1956, no dividends have been declared on Class B common shares, substantially all of which are owned by Del Monte Corporation. Class A and B shareholders are entitled to cumulative dividends at the rate of 75¢ per

share per annum; as of June 30, 1971, accumulated dividends not declared on Class A shares were \$451,000, and on Class B shares \$10,358,000.

Mr. Wm. Herbert Carr, former Group Executive Vice-President of Del Monte Corporation, did not stand for re-election to our Board of Directors at the last Annual Meeting. Mr. Reginald M. Mapp, Vice-President—Marketing, resigned from the Board May 31, 1971. Mr. Walter F. Cooper, Vice-President and Treasurer of Del Monte Corporation, was elected to the Board at our last Annual Meeting, and Mr. Richard Fox, Vice-President Finance & Corporate Development was appointed a director June 1, 1971. The Board wishes to express its appreciation to Mr. Carr and Mr. Mapp for their valuable contributions during many years of service.

On April 21, 1971, the Board elected Mr. Ross B. Yerby as Chairman to succeed Mr. Alfred W. Eames, Jr. Mr. Eames continues as a member of the Board.

The Company suffered a great loss in the sudden death of our Secretary-Treasurer, Mr. T. Vincent McGinn, in November, 1970. Mr. McGinn served our Company for over thirty-five years. In January, 1971, Mr. Richard Fox was appointed Vice-President—Finance & Corporate Development, Mr. William G. Lister was appointed Treasurer and Controller and Mr. David W. Munn was appointed Secretary. Mr. John Y. Massey was appointed Vice-President—Marketing June 1, 1971, succeeding Mr. Mapp, who has accepted an assignment with Del Monte Corporation.

The continuing progress of the Company can be assured by the co-operative efforts of our employees and our success in satisfying the needs of our customers. We wish, especially, to thank those employees whose willingness to "try harder" — to find "the better way" — contributed so importantly to our performance in a year of economic adversity.

On behalf of the Board of Directors,
Ross B. Yerby, L. H. Johnston,
Chairman, President.

Hamilton, Ontario,
July 22, 1971

CANADIAN CANNERS LIMITED AND SUBSIDIARY COMPANIES

Consolidated Statement of Earnings and Retained Earnings

Year Ended May 31
1971 1970

Sales and operating revenues	\$58,582,000	\$54,663,000
Costs and expenses		
Costs and expenses excluding items listed below	55,667,000	51,888,000
Depreciation	1,262,000	1,240,000
Interest on long-term debt	94,000	143,000
Income taxes	750,000	700,000
	57,773,000	53,971,000
Earnings from operations	809,000	692,000
Extraordinary items	-	1,011,000
Net earnings	809,000	1,703,000
Retained earnings at beginning of year	22,895,000	21,426,000
	23,704,000	23,129,000
Dividends declared on Class A common shares	187,000	234,000
Retained earnings at end of year	\$23,517,000	\$22,895,000
Earnings per share (Class A and B common combined)		
Earnings from operations	\$.58	\$.49
Extraordinary items	-	.72
Net earnings	\$.58	\$ 1.21

CANADIAN CANNERS LIMITED AND SUBSIDIARY COMPANIES

Consolidated Statement of Financial Position

May 31, 1971 May 31, 1970

Current Assets

Cash	\$ 37,000	\$ 21,000
Accounts receivable	6,428,000	6,138,000
Inventories (details on opposite page)	22,447,000	21,176,000
Costs allocable to future operations	1,789,000	1,733,000
	30,701,000	29,068,000

Current Liabilities

Bank and other advances	6,919,000	6,720,000
Accounts payable and accruals	5,810,000	4,365,000
Income and other taxes payable	611,000	337,000
Payments due within one year on long-term debt	407,000	170,000
Dividend payable on Class A common shares	47,000	47,000
	13,794,000	11,639,000

Working Capital

Fixed Assets (details on opposite page)	13,673,000	12,761,000
Other Assets (details on opposite page)	5,654,000	5,824,000
	36,234,000	36,014,000

Deduct:

Long-term debt (details on opposite page)	2,634,000	2,694,000
Deferred income taxes	3,786,000	4,128,000
	6,420,000	6,822,000

Shareholders' Equity

Represented by:

Capital stock (details on opposite page) (Note 3)	\$ 6,297,000	\$ 6,297,000
Retained earnings	23,517,000	22,895,000
	\$29,814,000	\$29,192,000

Approved on behalf of the Board

L. H. Johnston, Director
Ross B. Yerby, Director

CANADIAN CANNERS LIMITED AND SUBSIDIARY COMPANIES

Details of Items in Accounts

	May 31, 1971	May 31, 1970
Inventories		
Valued at lower of cost or net realizable value		
Merchandise	\$13,546,000	\$13,040,000
Materials and supplies	8,901,000	8,136,000
	<u>\$22,447,000</u>	<u>\$21,176,000</u>
Fixed Assets		
At cost		
Land	\$ 730,000	\$ 665,000
Buildings	8,465,000	8,162,000
Machinery and other equipment	20,508,000	19,124,000
	<u>29,703,000</u>	<u>27,951,000</u>
Less: Accumulated depreciation	16,030,000	15,190,000
	<u>\$13,673,000</u>	<u>\$12,761,000</u>
Other Assets		
Mortgages and long-term receivables	\$ 2,411,000	\$ 2,581,000
Intangibles—brand names, trade marks, patents, processes, goodwill, etc.	3,243,000	3,243,000
	<u>\$ 5,654,000</u>	<u>\$ 5,824,000</u>
Long-Term Debt (exclusive of payments due within one year)		
5% Sinking fund debentures maturing June 15, 1973	\$ 1,480,000	\$ 1,760,000
Mortgage and notes of subsidiary companies payable in varying amounts to 1977	1,154,000	934,000
	<u>\$ 2,634,000</u>	<u>\$ 2,694,000</u>
Capital Stock		
Class A common shares without nominal or par value		
Authorized — 1,000,000		
Issued — 468,137	\$ 2,099,000	\$ 2,099,000
Class B common shares without nominal or par value		
Authorized — 2,000,000		
Issued — 936,274	4,198,000	4,198,000
	<u>\$ 6,297,000</u>	<u>\$ 6,297,000</u>

CANADIAN CANNERS LIMITED AND SUBSIDIARY COMPANIES

Consolidated Statement of Source and Use of Funds

Year Ended May 31
1971 1970

Source of Funds

Earnings from operations	\$ 809,000	\$ 692,000
Loss from cyclamate ban	-	(490,000)
Depreciation	1,262,000	1,240,000
Deferred income taxes	(342,000)	(348,000)
 Funds from operations	 1,729,000	 1,094,000
Proceeds from disposal of properties	243,000	2,029,000
Decrease in mortgages and long-term receivables	170,000	-
Long-term debt of subsidiary company acquired	409,000	-
 2,551,000	 3,123,000	

Use of Funds

Investment in fixed assets	2,417,000	1,331,000
(Including those acquired with subsidiary companies)		
Dividends declared on Class A common shares	187,000	234,000
Reduction of long-term debt	469,000	450,000
Increase in mortgages and long-term receivables	-	1,457,000
 3,073,000	 3,472,000	
 Decrease in Working Capital	 (522,000)	 (349,000)
Working Capital at beginning of year	17,429,000	17,778,000
Working Capital at end of year	 \$16,907,000	 \$17,429,000

CANADIAN CANNERS LIMITED AND SUBSIDIARY COMPANIES

Notes to Financial Statements

- 1) The earnings of Duncan Lithographing Company Limited and St. Williams Preservers Limited, wholly owned subsidiary companies that were acquired during the year, have been included from the dates of acquisition.
- 2) At May 31, 1971, Canadian Canners Limited and its subsidiary companies had long-term leases expiring in various years through 1994 covering land, buildings and equipment. The average annual rentals payable under these agreements are estimated at \$574,000 for 1972-76, \$386,000 for 1977-81, \$155,000 for 1982-94.
- 3) The holders of Class A common shares are entitled to cumulative cash dividends at the rate of 75¢ per share per annum in priority to any dividends on the Class B common shares. Dividends have been paid on the Class A common shares up to and including September 30, 1968 at the rate of 75¢ per share per annum and subsequently at the rate of 40¢ per share per annum. Subject to the prior rights of the Class A common shares, the holders of Class B common shares are entitled to cash dividends accumulating from the date of issue on October 1, 1956 at the rate of 75¢ per share per annum. To June 30, 1971 the accumulated dividends not declared on Class A common shares amount to \$451,000 and on Class B common shares amount to \$10,358,000. After the Class A and B common shares have received payment of all accumulated dividends, Class A and B common shares share equally in any dividends in excess of 75¢ per share per annum.
- 4) During the fiscal year ended May 31, 1971, the aggregate direct remuneration paid or payable by the Company to twelve directors as directors was \$5,000 and to eight officers as officers (4 of whom were directors) was \$140,000.

Auditors' Report to the Shareholders of Canadian Canners Limited

We have examined the consolidated statement of financial position of Canadian Canners Limited and its subsidiary companies as at May 31, 1971 and the consolidated statements of earnings and retained earnings and source and use of funds for the year ended May 31, 1971. Our examination was made in conformity with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion these consolidated statements present fairly the financial position of the companies as at May 31, 1971 and the results of their operations and the source and use of their funds for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Price Waterhouse & Co.,
Chartered Accountants.

Hamilton, July 22, 1971

CANADIAN CANNERS LIMITED AND SUBSIDIARY COMPANIES

Ten Year Review of Financial Data

	Twelve Months Ended May 31		Fifteen Months Ended May 31		Twelve Months Ended February 28 (29)					
	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962
	FOR THE YEAR									
Sales	\$58,582	54,663	68,028	53,677	52,251	50,568	47,954	43,243	40,244	39,054
Earnings from operations	809	692	754	1,228	1,172	1,818	1,567	1,203	334	242
Per dollar of sales	1.4¢	1.3¢	1.1¢	2.3¢	2.2¢	3.6¢	3.3¢	2.8¢	0.8¢	0.6¢
Per Class A and B common share .....	.58	.49	.54	.87	.83	1.29	1.12	.86	.24	.17
Loss from Cyclamate ban	—	(490)	—	—	—	—	—	—	—	—
Gain or (Loss) on sale of properties	—	1,501	301	(53)	492	(22)	26	(41)	20	24
Net Earnings	809	1,703	1,055	1,175	1,664	1,796	1,593	1,162	354	266
Per Class A and B common share .....	.58	1.21	.75	.84	1.18	1.28	1.13	.83	.25	.19
Cash dividends paid	187	187	357	351	351	351	351	351	351	351
Per Class A common share .....	.40	.40	.76 1/4	.75	.75	.75	.75	.75	.75	.75
Capital expenditures	1,342	1,331	1,452	915	2,039	2,097	1,333	1,187	1,214	1,251
Provision for depreciation	1,262	1,240	1,535	1,219	1,172	1,093	988	871	757	695
AT YEAR END										
Working capital	16,907	17,429	17,778	18,079	16,935	16,500	15,887	15,748	14,626	14,932
Working capital ratio	2.2	2.5	2.2	2.2	2.2	2.4	2.7	3.4	2.9	2.4
Net fixed assets	13,673	12,761	13,198	13,550	13,972	12,791	11,914	10,607	10,615	10,288
Long-term debt	2,634	2,694	3,144	5,319	5,805	4,625	4,940	5,255	5,570	5,885
Retained earnings	23,517	22,895	21,426	20,728	19,904	18,591	17,146	15,904	15,093	15,090
Shareholders' equity	29,814	29,192	27,723	27,025	26,201	24,888	23,443	22,201	21,390	21,387

Figures in thousands except per share

CANADIAN CANNERS LIMITED AND SUBSIDIARY COMPANIES

DIRECTORS

W. F. Cooper	San Francisco, California
L. M. Crandall	Pembroke, Ontario
A. L. Croce	San Francisco, California
W. I. Drynan	Hamilton, Ontario
Alfred W. Eames, Jr.	San Francisco, California
Richard Fox, C.A.	Hamilton, Ontario
L. H. Johnston, F.C.A.	Hamilton, Ontario
A. L. Nelson	Hamilton, Ontario
Leonard A. Philip	Toronto, Ontario
W. S. Sewell, Q.C.	Toronto, Ontario
J. Leonard Walker	Montreal, Quebec
Ross B. Yerby	San Francisco, California

OFFICERS

Ross B. Yerby	Chairman of the Board
L. H. Johnston	President and Chief Executive Officer
Richard Fox	Vice-President—Finance & Corporate Development
J. Y. Massey	Vice-President—Marketing
A. L. Nelson	Vice-President—Production
W. G. Lister	Treasurer and Controller
D. W. Munn	Secretary
A. L. Croce	Assistant Secretary

HEAD OFFICE

44 Hughson Street South, Hamilton, Ontario

SUBSIDIARY COMPANIES

Aylmer Foods Warehousing Limited
Boese Foods Limited
Canners Machinery Limited
Duncan Lithographing Company Limited
The Pyramid Canners Limited
St. Williams Preservers Limited
Wagstaffe Limited
Walmer Transport Company Limited

REGISTRAR AND TRANSFER AGENTS

Royal Trust Company, Toronto and Montreal

TRUSTEE FOR DEBENTURE HOLDERS

Canada Permanent Trust Company

AUDITORS

Price Waterhouse & Co.

ANNUAL MEETING

October 7, 1971, 10:00 a.m. (E.D.S.T.),
Sheraton-Connaught Hotel, Hamilton, Ontario

AR79

Corp report

Interim Report to Shareholders

AYLMER



FOR THE SIX MONTHS ENDED

NOVEMBER 30, 1971

CANADIAN CANNERS LIMITED

HAMILTON, ONTARIO

CANADIAN CANNERS LIMITED AND SUBSIDIARY COMPANIES

To Our Shareholders

The unaudited consolidated financial results for the six months ended November 30, 1971, compared with the six months ended November 30, 1970, are summarized below:

	Six Months Ended November 30	
	1971	1970
STATEMENT OF EARNINGS		
Sales and Operating Revenues	\$ 26,545,000	\$ 25,575,000
Costs and Expenses	25,603,000	24,623,000
Income Taxes	464,000	500,000
Net Earnings for the Six Months	<u>\$ 478,000</u>	<u>\$ 452,000</u>
Net Earnings per Class A and B Share	34c ==	32c ==
STATEMENT OF SOURCE AND USE OF FUNDS		
Source of Funds		
Net Earnings	\$ 478,000	\$ 452,000
Depreciation	1,009,000	999,000
Deferred Income Taxes - Operations	(27,000)	(110,000)
- Other	-	51,000
Mortgages and Long-Term Receivables	377,000	69,000
	<u>\$ 1,837,000</u>	<u>\$ 1,461,000</u>
Use of Funds		
Net Investment in Fixed Assets	\$ 558,000	\$ 996,000
Dividends on Class A Shares	94,000	94,000
Reduction of Long-Term Debt	860,000	400,000
	<u>\$ 1,512,000</u>	<u>\$ 1,460,000</u>
Increase in Working Capital	325,000	1,000
	<u>\$ 1,837,000</u>	<u>\$ 1,461,000</u>

The sales and operating revenues for the first six months of the year have increased 3.8% over the revenues of the prior year for the same period. It is expected that this growth rate will continue for the balance of the year.

The six months net earnings of \$478,000 or 34¢ per share exceed last year by 5.7%.

The net earnings for the second quarter of this year at \$253,000 were substantially the same as in the prior year. The results reflect the continuing competitive pressures in the market place and the difficulty of recovering the rising costs of operations.

The Board of Directors have declared a dividend of 10¢ per Class A Common share for the quarter ending March 31, 1972, payable on April 1, 1972, to shareholders of record on March 1, 1972.

R. B. Yerby,
Chairman

L. H. Johnston,
President